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International Court of Justice

H3233 - 0002

OFFICE OF CHIEF OF COUNSEL FOR WAR CRIMES

EVIDENCE DIVISION

Date : 22 July 1948

I certify that Document Number EC-438 was introduced into evidence as Exhibit Number USA-646 in the Trial by the International Military Tribunal of Hermann GOERING, et al, which commenced on 20 November 1945, and that the attached photostat is a true and correct copy of the original.

Fred Niebergall

Fred NIEBERGALL
Chief, Document
Control Branch.

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C E R T I F I C A T E

I hereby certify that the annexed document EC-438 No. USA - 646 is a photostat of an original document submitted in evidence by the United States Prosecution under this number. The original document has been withdrawn in accordance with Rule 10 of the International Military Tribunal, and to the best of my knowledge and belief is to be held at the National Archives, Washington D.C. .

Nuremberg, 6 July 1948

Paul Joosten

PAUL A. JOOSTEN

General Secretary
International Military
Tribunal

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AFFIDAVIT OF EMIL PUHL.

I, Emil Puhl, make the following deposition under oath:

I was a director of the Reichsbank during the entire period of Dr. Schacht's presidency of the Reichsbank from the years 1933 to 1939.

1. With respect to financing of armaments through the Reichsbank, although Mefo financing was stopped as of April 1, 1938, it is clear that the Reichsbank continued indirectly to help Hitler's armament program. This may be seen from the fact that the bank increased its portfolio of Inlands Wechsel, including of course commercial paper, from 5.8 billion RM in January 1938 to 7.9 billion RM on December 31, 1938. While I do not have the exact figures a good deal of this increase took place between April 1, 1938 and December 31, 1938. This increase in the holding of internal bills was made by a proportionate increase in the bank note circulation, which rose from 5.6 billion RM on April 1, 1938 to 8.2 billion RM on December 31, 1938. Thus, in effect, by continuing to increase the bank note circulation and by absorbing bills which were paid for by this means the Reichsbank was really making that much more credit available to the armaments program. This was clearly understood by all concerned.

2. There was a great increase in armaments during 1938 and this accounted for a certain amount of the increased note circulation. Thus, the bank note circulation rose by about 2.6 billion RM, that is from 5.6 to 8.2 billion RM from April 1, 1938 to December 31, 1938. A large amount of this increase was due to the pressure on the Reichsbank to discount mefo bills held in portfolios outside the Reichsbank. There is no question that the Reichsbank under Schacht during the year 1938 resorted to inflationary practices which aided rearmament. Since the Reichsbank had to meet the pressure of the money market resulting from the tendering for discount of large amounts of mefo bills automatically the bank note circulation was increased to meet the requirements.

3. It was understood at the beginning that mefo bill financing could be used only to the point where full employment and production were achieved. When full employment was reached it was clear to all that a further credit expansion in itself would not result in increased production. Simultaneously when such a point would be reached it was expected that the rise in the national income would provide sufficient taxes and savings for public loans to finance armaments from the budget. In the judgment of a number of directors of the Reichsbank, and this was the subject of discussion in the Board, this point had been reached a year or two before mefo financing was stopped. When Schacht promised Hitler another 3 billion RM for financing mefo bills in early 1937 the Reichsbank Directorate was quite worried. The arrangement was made by Schacht with Hitler without prior agreement of the Board of the Bank which knew of the arrangements only after Schacht reported that he had made the agreement with Hitler. The feeling of members of the Reichsbank Board at that time was that further armament financing should be done through the budget, mostly by an increase of taxation.

4. The high amount of mefo bills held by the Reichsbank was always considered risky, and, particularly as, in times of financial stringency, the bills outside the Reichsbank might be presented for discount and require an increase in the note circulation and so lead to inflation. Mefo financing was an entirely risky proposition. The hope was that some day there would be a balancing of the budget and a provision for the repayment of these bills without resorting to new credits. It did not, however, work out that way./ When Schacht saw that the risky situation which he had sponsored was becoming insoluble he was more and more anxious to get out. This desire to get out of a bad situation was for a long time the leitmotif of Schacht's conversation with the directors of the bank. He also suggested

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to give a warning signal to the Government against inflation.

I understand the English language.

[signature]

Sworn to before me this eighth day of November 1945 at Frankfurt, Germany.

Edward A. Tenenbaum

O-870114

1st Lt AC

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USA-646

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DOCUMENT NO. EC 438
OFFICE OF U.S. CHIEF OF COUNSEL

AFFIDAVIT OF EMIL PUHL.

I, Emil Puhl, make the following deposition under oath:

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1. With respect to financing of armaments through the Reichsbank, although Mefo financing was stopped as of April 1, 1938, it is clear that the Reichsbank continued indirectly to help Hitler's armament program. This may be seen from the fact that the bank increased its portfolio of Inlands Wechsel, including of course commercial paper, from 5.8 billion RM in January 1938 to 7.9 billion RM on December 31, 1938. While I do not have the exact figures a good deal of this increase took place between April 1, 1938 and December 31, 1938. This increase in the holding of internal bills was made by a proportionate increase in the bank note circulation, which rose from 5.6 billion RM on April 1, 1938 to 8.2 billion RM on December 31, 1938. Thus, in effect, by continuing to increase the bank note circulation and by absorbing bills which were paid for by this means the Reichsbank was really making that much more credit available to the armaments program. This was clearly understood by all concerned.

2. There was a great increase in armaments during 1938 and this accounted for a certain amount of the increased note circulation. Thus, the bank note circulation rose by about 2.6 billion RM, that is from 5.6 to 8.2 billion RM from April 1, 1938 to December 31, 1938. A large amount of this increase was due to the pressure on the Reichsbank to discount mefo bills held in portfolios outside the Reichsbank. There is no question that the Reichsbank under Schacht during the year 1938 resorted to inflationary practices which aided rearmament. Since the Reichsbank had to meet the pressure of the money market resulting from the tendering for discount of large amounts of mefo bills automatically the bank note circulation was increased to meet the requirements.

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3. It was understood at the beginning that mefo bill financing could be used only to the point where full employment and production were achieved. When full employment was reached it was clear to all that a further credit expansion in itself would not result in increased production. Simultaneously when such a point would be reached it was expected that the rise in the national income would provide sufficient taxes and savings for public loans to finance armaments from the budget. In the judgment of a number of directors of the Reichsbank, and this was the subject of discussion in the Board, this point had been reached a year or two before mefo financing was stopped. When Schacht promised Hitler another 3 billion RM for financing mefo bills in early 1937 the Reichsbank Directorate was quite worried. The arrangement was made by Schacht with Hitler without prior agreement of the Board of the Bank which knew of the arrangements only after Schacht reported that he had made the agreement with Hitler. The feeling of members of the Reichsbank Board at that time was that further armament financing should be done through the budget, mostly by an increase of taxation.

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I understand the English language.

Puhl

Sworn to before me this eighth day of November 1945 at Frankfurt, Germany.

Edward A. Tenenbaum
O-870114
1st Lt. AC.

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Filed Jan. 11, 1946
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